

Briefing Report Contents

- Briefing Report Objectives..... p. 3
- Background p. 4
- Assessment Approach..... p. 5
- Results in Brief p. 6
- Status of the PBPM process implementation p. 8
- Interview Comments about PBPM p. 9
- Five Major Recommendations Themes: p. 14
 - Update strategic plan to connect performance plan goals to strategic goals
 - Move to integrated top-down planning
 - Shift to strategic budgeting which allocates resources to planned work
 - Formalize performance reporting and monitoring
 - Focus strategic assessments

Briefing Report Contents - Continued

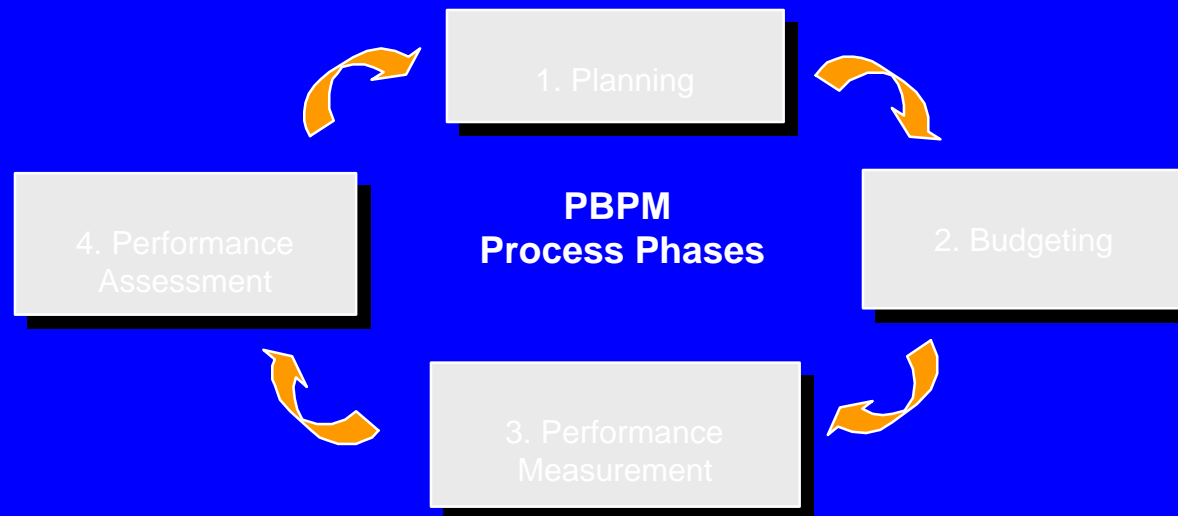
- Detailed Information for Each Recommendation include:..... p. 15
 - Goal - what the recommendation is intended to accomplish
 - Best Practices - practices used by top performing organizations
 - Action Steps - specific actions NRC can take to accomplish goals
 - Anticipated Results - anticipated outcomes of implementing the recommendation
- Discussion of Performance Management and Other Challenges .. p. 37

Briefing Report Objectives

- ✓ Describe the purpose and approach of Arthur Andersen's assessment of PBPM
- ✓ Provide a perspective of the implementation of the PBPM process at NRC and its influence on NRC becoming performance based
- ✓ Summarize assessment findings and present recommendations
- ✓ Provide details for consideration in implementing each recommendation

Background

- PBPM is a process designed to integrate four key management phases:



- NRC asked Arthur Andersen to assess the implementation of all phases of PBPM at NRC after its first year in operation

PBPM Assessment Approach

- Interviewed numerous NRC senior managers to:
 - Understand of NRC's top management expectations and success criteria for PBPM
 - Gather input about current issues with process effectiveness and efficiency
 - Solicit input about improvement areas and opportunities
- Reviewed documents, attended planning/budgeting sessions, and interviewed staff involved in all phases of PBPM to:
 - Understand the details of program operating plans, budgeting, performance measures, reporting, and oversight activities
 - Develop specific activity maps of PBPM to assist in identifying opportunities to improve effectiveness and efficiency
- Interviewed officials at OMB and GAO who were knowledgeable of GPRA and NRC programs
- Reviewed the NRC culture survey results conducted by the IG
- Reviewed activities and “coached” several teams involved in self-assessments including: Incident Response, Generic Safety Issues, and Events Assessment
- Researched Best Practices in both the Public and Private Sectors for improvement opportunities
- Discussed findings and recommendation themes with senior management.

Results in Brief

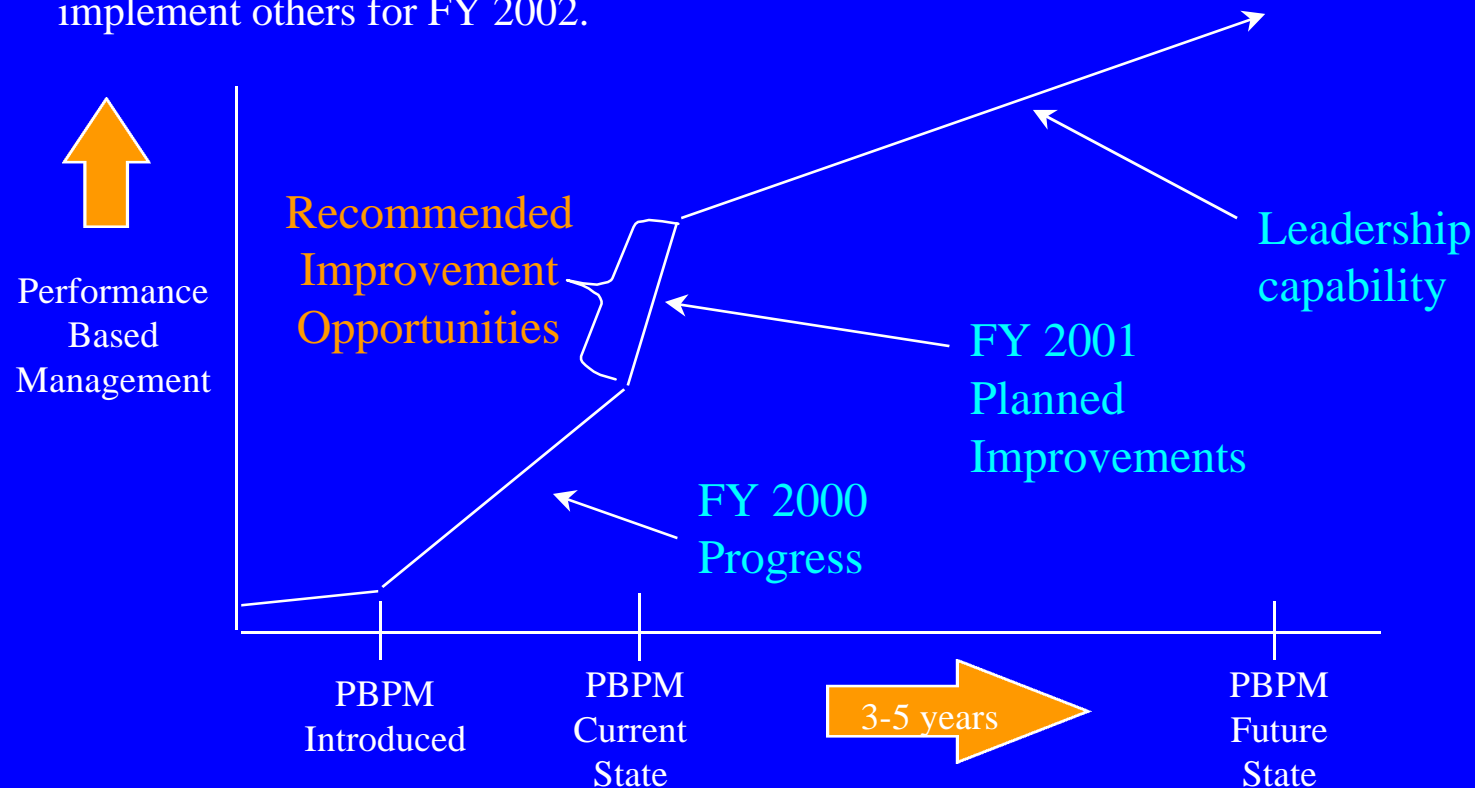
- PBPM framework is fundamentally sound
 - All of the components of an effective system are in place at NRC
- PBPM implementation fundamentally improved NRC's management process
 - Strategic and performance plans ranked among the best by independent reviewers (Congress, GAO and OMB)
 - Operating plans provide information on outputs and related resource levels not previously available and have facilitated management oversight of performance
- Implementation through the first year has assisted in moving NRC to become more performance based
- There are a number of opportunities to improve the process and take performance management to the next level at NRC.

Results in Brief - Continued

- Strategic plans:
 - Strategic plans are too far removed from operations.
 - The strategic plan does not clarify the improvements expected or the strategies for the next 3-5 years. It describes more of the work that currently goes on within the agency.
 - Planning needs to be more integrated across offices.
 - The performance/operating plans do not clearly connect activities to the strategic plans or measurable outcomes and have too many measures.
 - The agency is budget focused, not planning centered.
 - The timing of the process, including Commission decision making and integrating direction, does not facilitate effective planning / budgeting.
 - Performance oversight is informal and random.
 - The EC, Chairman and the Commission have no formal reports to keep them informed and to effectively track and monitor performance.
 - Assessments are not strategic and success is not defined ahead of time.

PBPM Process Implementation

- The recommended process improvements to PBPM could facilitate a step-change in NRC's becoming a performance based organization
- The current NRC initiative is to implement some improvements for FY 2001 with plans to implement others for FY 2002.



Interview Comments about PBPM

- The following pages provide some general comments about PBPM from Senior Managers interviewed during the assessment. The purpose was to understand what the managers thought of the PBPM progress to date and obtain their input on areas to be improved.

The following comments address the purpose or success factors for PBPM

- PBPM needs to define the purpose of agency and how to get there
- Have people at all levels understand agency goals for 2-5 years out and see how their work contributes
- Break down management stovepipes
- Support NRC becoming business people - not bureaucratic
- It needs to support timely decision making
- It needs to clarify need for resources and shifting needs
- PBPM must be seen as the NRC managing process
- PBPM is intended to move the NRC to outcomes.

Interview Comments about PBPM

- Other general comments about how PBPM was implemented for the FY 2000 process from Senior Managers
 - Its much better than it used to be
 - We are moving in the right direction
 - The process is mostly form over substance
 - We need better, up-front, “nose cone guidance”, identifying where we are going and why
 - The Commission and the EC need to lead by example. They do not have common goals:
 - Some Commissioners “micro-manage” - They need to set the goals and outcomes and hold the staff accountable for the results and let the staff determine how to get there
 - Process is too complex for NRC’s size
 - There are no consequences for poor performance
 - Managers need to be more accountable for costs
 - Managing for outcomes is a major cultural change.

Interview Comments about PBPM

- Comments about the Strategic Plan:
 - The strategic plan does not provide clear direction about where we need to go or how we plan to get there. It does not clarify the direction of the agency
 - The strategic plan describes what we do now, not what we need to do over the next 3-5 years
 - The strategic plan does not reflect the external environment.
- Comments about planning:
 - We're reactive, not planned
 - We plan for outputs, not outcomes
 - Staff Requirements Memorandum become the top priority no matter what
 - Planning is not integrated across offices, so the PRC has to referee
 - Program plans do not show contribution to the agency goals.

Interview Comments about PBPM

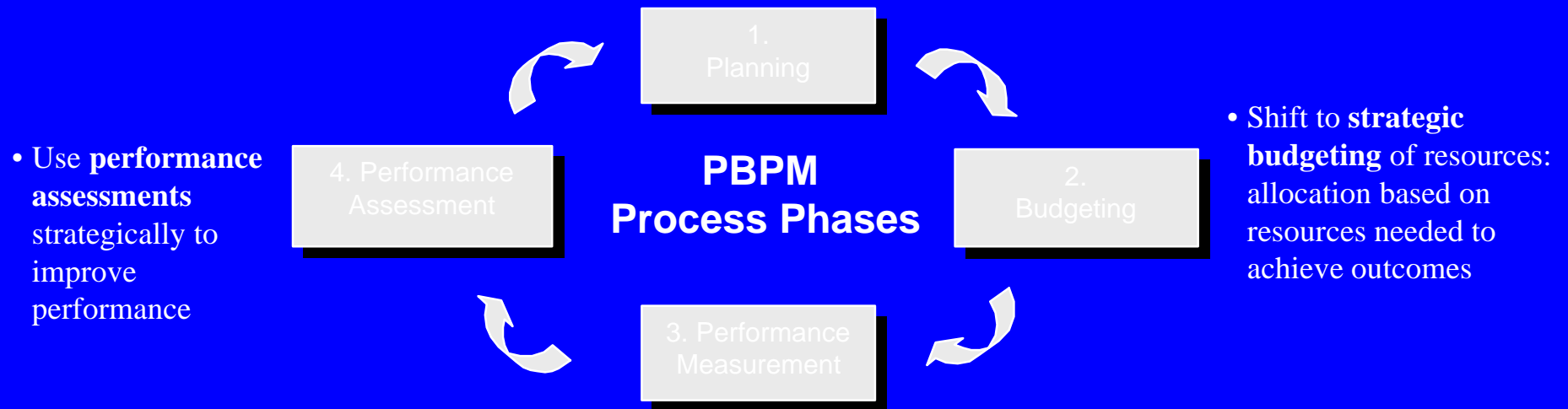
- Comments about Budgeting:
 - Budget is more controlling than the strategic plan
 - All the work is driven by the budget submission dates
 - Should follow planning
 - Turf battles for FTE and dollars
 - We budget the minutia and miss critical assumptions
 - Budget cuts cause us to be reactive.
- Comments about Self Assessments:
 - They clarify added value of programs
 - We have made the least progress in this phase of PBPM
 - We have differing perspectives - doing self assessments versus independent assessments
 - They lack strategic focus
 - They have been ill-defined and lost momentum.

Interview Comments about PBPM

- Comments on reporting and management oversight:
 - We have separate reporting and tracking for SRM's like the "Tasking Memo" from the program plan reporting
 - The EC and Commission do not get routine performance reports
 - EC spends hours and hours being briefed
 - The quarterly program plan updates provide me with what I need but I do not need all of this detail. It takes me time to sort through and find what I really need
 - We spend more time generating the reports and little time analyzing the results
 - We make a few course corrections, but not many
 - Reports create the perception of usefulness
 - We need different reports for various levels of management, including the executive level
 - Responsibility for the integrity of the data is not clear
 - Our quarterly reviews are not scheduled and key managers are not always there.

Recommendations by PBPM Phase

- **Update Strategic Plan** to reflect changes & enhance goals and outcomes
- Shift to more **integrated top-down planning** to develop agency performance goals, direction of change and success measures

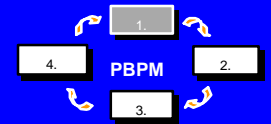


- Use **performance assessments** strategically to improve performance

- Shift to **strategic budgeting** of resources: allocation based on resources needed to achieve outcomes

- Develop integrated **performance reporting** and inject oversight discipline into the process.

Recommendation: Update Strategic Plan



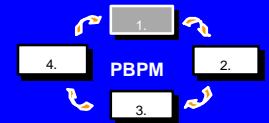
Goals

- Update the goals and strategies to clarify 3-5 year improvement challenge that reflects the current environment:
 - Define tangible measurable outcomes in the performance plan that connect to strategic goals
 - Define the vectors of change for each goal
 - Define key strategies and initiatives required to achieve the goals.

Update Strategic Plan

Best Practices

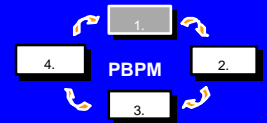
- Agency leaders are personally involved in identifying and formulating NRC's goals and strategies
- Thorough and systematic environmental analysis is conducted prior to strategy and goal development. Organization strengths, weaknesses, opportunities, and challenges are identified and used in developing strategies and goals for NRC
- Goals are defined and prioritized and then measurable success criteria are developed to help gauge progress towards goals
- Organizational values are specified and analyzed to assess the extent to which they support or conflict with organizational goals and strategies
- Organizational strategies to reach goals included.



Update Strategic Plan

Action Steps for consideration

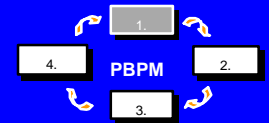
- Chairman and Commission provide general direction about the appropriate issues to consider in setting/updating strategic direction
- EC works with key leaders to update the strategic plan:
 - Replicate the pilot effort in NRR to develop goals and strategies in other areas.
 - Define the goal areas; prioritize them; agree on the degree of change expected, and establish measurable success criteria
 - Review or develop organizational values where appropriate
 - Develop broad assumptions and strategies to reach goals, including areas of strategic concern necessary to guide performance planning
 - Chairman and Commission review and approve plans and guidance
- EC reviews plan and guidance with key leadership including Office Directors to ensure alignment
- Follow the NRC process for Public Comment.



Update Strategic Plan

Anticipated Results

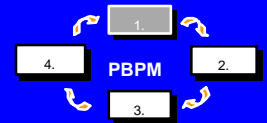
- Goal areas are defined and prioritized
- Improvement expectations are established with measurable performance targets for two to five years
- A picture of what needs to change is established - including organizational values
- There is better understanding overall of the direction of the agency and rationale for selected direction.



Recommendation: Integrated Top-Down Planning

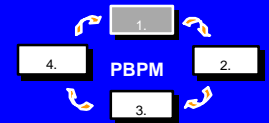
Goals

- Develop shared ownership of NRC success criteria
- Establish shared accountability for NRC outcomes at Office Director level and up
- Develop common picture of what agency level initiatives are required to support goals - clarify accountability for each
- Execute the NRR planning effort throughout the agency:
 - Challenge value added or redundancy of all activities
 - Shift collective focus from outputs to outcomes.



Integrated Top-Down Planning

Best Practices

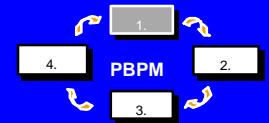


- All key leaders work together to develop a consensus about the critical work required to deliver the goals
- Accountability for the work is clear
- All office level leaders are held accountable for delivering the agency outcomes
- Strategic allocation of resources is completed during the planning
- Work shedding is included in planning:
 - Activities to be slowed or sunset are identified.

Integrated Top-Down Planning

Action Steps for consideration

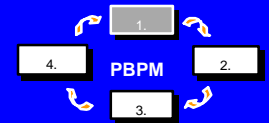
- The agency leaders at the Office Director & EC level should:
 - Review strategic plan for understanding and ownership
 - For each goal area, define guiding assumptions and develop agency wide initiatives required to deliver the goals (be careful not to limit thinking to the one year goals)
 - Identify and agree on activities that are critical to achieve the success criteria and agree on their relative priority - with estimated relative contribution to outcomes
 - Identify and agree on other work required which does not directly support the achievement of the goals
 - Establish accountability for all initiatives and clarify lead and support roles, including agreement on a common framework for developing operating plans
 - Agree on strategic allocation of resources required for all programs or initiatives. Consider limiting the detail to not less than 10 FTE or the equivalent
 - Develop specific technology investment plan and define how it supports the initiatives (this should be a support activity).



Integrated Top-Down Planning

Action Steps, continued . . .

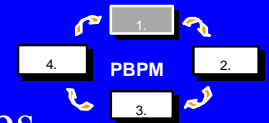
- Review results with, and obtain approval from, the Chairman and the Commission
- Provide direction needed to develop operating plans from the goals and initiatives.
- For FY 2001 budget cycle, consider the following:
 - Have various offices develop goals and degree of change expected for each goal. Use this work to develop policy guidance
 - Have each office develop and prioritize their work activities against the goals. Use the lessons learned from the work completed by NRR
 - Use results from NRR, RES, & NMSS high-level waste to draft revisions to the strategic plan
 - Consider revising Performance plan measures for FY 2000 report where appropriate.



Integrated Top-Down Planning

Anticipated Results

- Planning guidance, cross cutting strategies, and budget boundaries are defined
- The performance plan is almost complete:
 - Critical initiatives or programs in support of each goal are identified and prioritized
 - Improvement initiatives and indirect support are clarified
 - Contribution of work to outcomes is established or clarified
- Leadership alignment to the overall plan is improved
- Strategic allocation of resources is complete
- Policy guidance is complete
- Activities to be invested in, reduced or sunset are identified
- Accountabilities for leading or supporting work are clear.



Recommendation: Strategic Budgeting

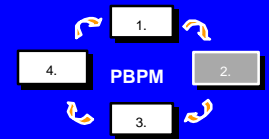
Goals

Fundamentally simplify the budgeting process by focusing on planning:

- Develop a performance or outcome based budget that follows naturally from the integrated planning by allocating resources to the work most critical to attaining the desired outcomes

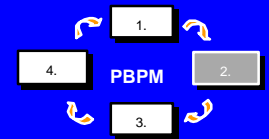
Versus budget focused planning:

- Budgeting with comprehensive detail that tends to reinforce an annual justification process, especially when budgeting for two years out.



Strategic Budgeting

Best Practices

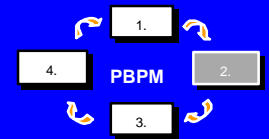


- Performance based budgeting:
 - Resource allocations are made by organizational leaders - top down resource allocations
 - Resource allocations are clearly connected to outcomes
 - Return On Investment (ROI) for budgeted dollars is understood
 - Strategic allocation of resources to high leverage activities
- One pass performance budget:
 - Eliminates the need for detailed reviews because strategic allocation is developed during the planning phase
 - Scenarios are built into the planning prioritization up front
 - Eliminates bottom up justification activities
- Budgeting follows naturally from planning.

Strategic Budgeting

Action Steps for consideration

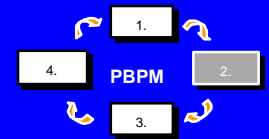
- Build performance based budget following integrated top-down planning (use the NRR Effectiveness Template as budget guidance)
- Provide high level summary of current and projected FTE and dollar allocations for activities - both program areas and support activities
- Limit detailed allocations to not less than 10 FTE
- Conduct benchmarking for support functions as a guide for resource allocations to activities that do not directly contribute to outcomes
- Use the activity prioritization work coming out of the planning effort to support scenario planning requirements
- Redefine budget structure consistent with outcomes.



Strategic Budgeting

Anticipated Results

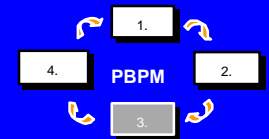
- The performance plan should be complete:
 - Critical assumptions and measurable goals are established
 - Resources for critical initiatives in support of each goal are identified
 - Resources for improvement initiatives and work to be sunset are identified
 - The contribution of each activity to outcomes and the cost of inputs is established
 - Detailed budgets and all attendant reviews are eliminated
- Resources for out year initiatives are identified
- Accountability for spending is improved, connected to outcomes or benchmarked.



Recommendation: Performance Measurement

Goals

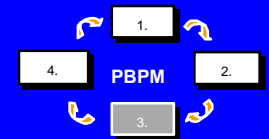
- Create structured reports for various levels of management that are effective oversight and decision making tools and establish formal performance reviews
- Provide Commission and EC with the right strategic level performance information quarterly or semi-annually:
 - Establish regular schedule for EC, Chairman and Commission performance reviews
- Differentiate accountabilities for each management level so that adjustments can be made effectively without micro-management:
 - Each level of review identifies support needed from their management to remove barriers and deliver results
- Build Staff Requirement Memorandums (SRM) into scheduled, routine performance reviews.



Performance Measurement

Best Practices

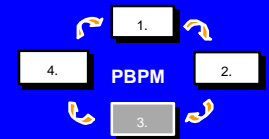
- Identify the critical few using a balanced set of measures
- Centralize reporting
- Critical few indicators are defined and trended:
 - Current and stretch term goals are identified
 - Time spent generating reports is minimal
 - Predefined variance parameters requiring action are established
- Performance discussions are scheduled at each level of accountability at different frequencies to ensure appropriate and timely monitoring
- Management oversight behavior facilitates continuous improvement:
 - Ensures adequate knowledge, skills, and support are in place to succeed.



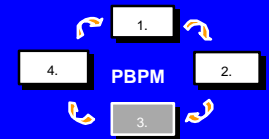
Performance Measurement

Action Steps for consideration

- Following completion of performance plan:
 - The CFO should report agency performance plan measures on a quarterly basis, including costs and performance variances that exceed parameters
 - *Starfire* should be used as the reporting tool for all performance information
- Identify and eliminate duplicative reporting in the programs or offices.
- Use the NRR planning activity approach to build top-down performance measures and reporting requirements:
 - Simplify program plans, with lower level details tracked at operating levels. Use the NRR assessment task as a template
- Conduct quarterly review sessions with EC and top managers to discuss NRC performance results, variances, and any adjustments to plans. Build SRM requirements into this review/planning session as part of routine process.



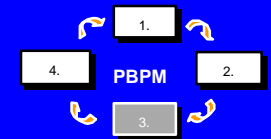
Performance Measurement



Action Steps, continued . . .

- Use semi-annual EC meeting with Commission to review performance
- Consider the managing process discussed in the NRR operating plan template
- Minimize all other reporting, performance briefings, and tracking tools, e.g. SRM tracking and EC briefings.

Performance Measurement



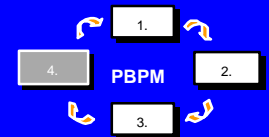
Anticipated Results

- NRC results compared to performance plan are clearly understood by the EC, the Chairman, and the Commission on a quarterly /semi-annual basis
- Management reporting replaces briefings on work progress
- Performance variances and resource issues are integrated continuously through senior management reviews
- SRM's are integrated into normal performance reviews
- Time in preparing for and delivering informal reporting is reduced
- Performance management oversight and accountability is established at various levels of the staff
- Reporting at all levels improves the tie of the work to agency goals.

Recommendation: Performance Assessment

Goals

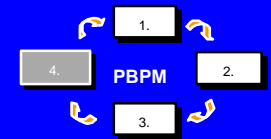
- Use strategic assessments to accelerate improvement consistent with NRC goals
- Limit number of assessments to two or three per year that focus on major targets of opportunity.



Recommendation: Performance Assessments

Best Practices

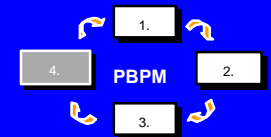
- Assessments are performance based (conducted in the context of specific desired goals and outcomes) and intended to improve organizational performance relative to the goals and desired outcomes
- Assessments are identified during planning to analyze and improve specific areas of concern
- Decision makers are identified to facilitate implementation of recommended changes
- Independence is required to challenge status-quo.



Performance Assessments

Action Steps for consideration

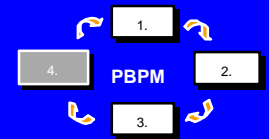
- Identify areas for assessment, expected results, and boundary conditions during strategic and integrated top-down planning efforts
- Separate effectiveness and efficiency assessments
- Identify assessment decision maker prior to beginning the assessment
- Identify the activity and allocate FTE & dollars as part of planning
- Dedicate one or two senior level staff to the assessments
- Use contractors to provide independent perspectives and freedom to challenge the status quo
- Separate operational efficiency improvements from strategic assessments and establish this as part of ongoing management responsibility.



Performance Assessments

Anticipated Results

- Organizational focus is improved
- Effectiveness assessments become agency wide initiatives
- Objectives are established through planning
- Independence is assured
- Implementation is facilitated through the decision maker
- Effectiveness and efficiency reviews are separated.



Performance Management Challenges

- Creating a management behavior, which includes the Chairman and the Commission, that is performance and outcome based requires:
 - Ability to continually raise the bar to facilitate continuous improvement
 - Ability to clarify expectations and hold others accountable for results without telling them how to solve it
 - Having the discipline to work at the right level
 - Redefining the performance and reward system in terms of outcomes and results
 - Ability to use predefined reporting tools, not personal tools
 - Challenging proposed work that doesn't contribute to outcomes
 - Empowering and supporting the staff at the same time.

Performance Management Challenges

Continued . . .

- Having all levels of management understand and support the changes required
- Providing the right change support
- Developing an accountability and reward system that will work, including both rewards and consequences.

Other Challenges

- Becoming a performance-based organization is a long term commitment by top management that may challenge organizational values. In order to be successful, NRC must consider the following:
 - Getting leadership alignment for the process
 - Focusing on fewer things and letting go of some work
 - Having all employees buy in & support the change is unrealistic
 - Providing effective change support is hard work
 - Limiting the major change initiatives to not more than two at a time. (ie: organizational restructuring and performance based management).